

# Public Policies

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## Holden endorses malpractice plan to relieve doctors, preserve fairness for victims, upgrade safety

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Gov. Bob Holden Feb. 6 endorsed proposals to provide medical malpractice insurance relief to Missouri physicians, upgrade patient safety and reverse a recent court decision that has unnerved insurers.

The proposed actions were outlined by Missouri Insurance Director Scott B. Lakin after Holden called for a study of Missouri's turbulent medical malpractice market.

"It is important that Missouri not mis-diagnose the problem," Holden said. "We must strike the right balance between the need to make sure that physicians have access to affordable coverage and the need to ensure patient safety and victim compensation when they suffer real damages."

Actions proposed in Lakin's report include a short-term state-sponsored insurance program, financed primarily by physician premiums, to ensure availability of coverage. Eligibility would be limited to physicians in specialties that have experienced the largest rate increases and are most essential to public safety.

"These state-sponsored programs are now operating in 12 states and I encourage the legislature to look at this as a possible solution until markets return to more normal rates," Holden said.

As an alternative, Lakin's proposal suggests that Missouri could join 14 states, including Kansas, that allow or mandate doctors to enroll in a special fund that provides malpractice coverage beyond minimal levels. Missouri does not now require doctors to carry malpractice insurance unless they are on staff in a hospital in urban counties.

Holden also endorsed the establishment of a Missouri Commission on Patient Safety to reduce the likelihood of medical negligence that prompts lawsuits.

The commission, for the first time, will focus government and private attention in the state on eliminating conditions that lead to medical negligence. "In the best of all worlds, we would have fewer awards and less need for expensive malpractice insurance because fewer patients would become victims of preventable medical errors," Holden said.

Holden also agreed with Lakin's recommendation to avoid further reductions in non-economic damages for patients who typically have permanent, major injuries. Those damages compensate for lost quality of life suffered by victims of medical negligence and other incidental costs.

Missouri law limits non-economic damages for injured patients to \$557,000 in 2003. Missouri is among 25 states that cap non-economic damages to victims, which are unlimited in the remaining states. The average Missouri award is \$81,000, well below the cap.

(See *Medical Malpractice*, p. 2)

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Comments or questions,  
call 573-526-2946.



## Malpractice

(continued from page 1)

But in the area of torts, Holden said he favors legislative action to reverse a court decision that threatens the Missouri malpractice market, which has been notably stable since reforms made in 1986. In a January 2002 case, a Missouri appellate court held that more than one medical malpractice cap could apply to each injury, and insurers likely will keep rates high until they see the full effect of the decision.

Holden emphasized that he wants to work with leaders of the Missouri General Assembly to develop the appropriate solution to problems faced by some Missouri doctors.

"The loss of medical malpractice insurers and sharp rate increases occurred suddenly in Missouri, and we should work together quickly to provide the proper help for physicians without causing long-term harm to both insurers and malpractice victims," Holden said.

On the issue of rates, Holden said he directed Lakin to proceed with the state's first formal examination of the medical malpractice market, specifically to determine whether it is still competitive and whether current rates are excessive and appropriate.

*Among the other highlights of Lakin's recommendations to Holden:*

- The General Assembly should require judges to dismiss cases, without prejudice, in which plaintiff's attorneys have not produced affidavits attesting to malpractice from qualified professionals within 90 days after the lawsuits are filed.

- The Department of Insurance (MDI) should conduct a formal multi-company examination to determine whether Missouri's medical malpractice market for physicians is competitive, how carriers calculate rates and whether Missouri rates now are excessive (or have been inadequate in the past). If the market is no longer competitive – only about three companies now write for doctors – MDI can act to deny rate filings; it cannot regulate rates now. The MDI examination should also investigate the reasons for the increasing share of premium devoted to loss adjustment expenses – largely legal defense costs.

- A legal change should allow MDI to reject malpractice rate filings that do not meet standards on using Missouri-only data.

- The Medicaid reimbursement rate for obstetricians, which have been flat for several years, should be increased because they have few if any options for passing along the increased costs of medical malpractice insurance. Medicaid pays for delivery of more than 40 percent of the state's newborns.

- Missouri, by law or regulation, should prohibit insurers from surcharging providers that have a pending medical malpractice claim or using discounts to achieve the same end.

The full report is available on the Internet at the Missouri Department of Insurance Web site, [www.insurance.state.mo.us](http://www.insurance.state.mo.us).

## Missourians urged to Get Smart

Although two-thirds of Americans believe they have the right amount of insurance coverage, only 34 percent say they understand the details of the coverage "very well," according to a recent survey by the National Association of Insurance Commissioners (NAIC).

When it comes to insurance, knowledge is the best policy. That's why the NAIC and the Missouri Department of Insurance have been encouraging consumers to "get smart" about their coverage.

During "Get Smart" week in January, consumers were urged to call toll-free 1-866-SMARTWEEK or visit [www.naic.org/gsw](http://www.naic.org/gsw) to request a free brochure and get information on what they need and should expect from insurance coverage. Also available on the MDI web site is an interactive quiz allowing visitors to gauge their level of "insurance smarts."

"Get Smart About Insurance Week isn't about selling or canceling policies," says Scott Lakin, MDI director. "It's about making sure your family is properly covered. We believe state insurance commissioners are the best resource for insurance-related questions and concerns."

The 34 percent of Americans who believe they understand their policy very well represents a rise of 6 percent from last year's survey.

### Survey finds peace of mind, but gaps

To gauge Americans' understanding and perceptions of their insurance coverage, national research company OCR International conducted a telephone survey of 1,025 adults. Respondents were asked a range of questions based on the various types of insurance coverage they may have, including life, home, auto, health, personal liability, disability and others.

The youngest adults (age 18 to 24) are the least likely to understand the details of their insurance "very well" (15 percent), while understanding increases among the most-experienced consumers (age 65+) to 50 percent.

"We're glad to see understanding is on the rise," Lakin says. "However, it's still troubling that, while two-thirds of adults feel they have the right amount of insurance, only one-third seem to fully understand what they have."

Just over one-fifth of the public believe they have too little insurance (22 percent). This number jumps to 33 per-



(See *Get smart*, p. 3)

## Get Smart

(continued from page 2)

cent in households with less than \$15,000 income. It drops to 18 percent in households with incomes of \$50,000 or more. Persons age 65 and older are most likely to feel they have the right amount of coverage (81 percent).

Nine out of 10 people surveyed who have insurance agreed that "a primary benefit I get from having insurance is peace of mind." However, the number who strongly agreed with that statement dropped to 56 percent from 66 percent in 2001.

In the past year, the insurance market has been buffeted by adverse trends, including nonrenewal of homeowners coverage after claims are filed, particularly for weather damage, that can undermine consumer confidence.

### How consumers can "get smart"

According to Lakin, consumers can take several steps to get smart about their coverage.

"We recommend consumers know what kind of coverage they need before they shop around," Lakin says. "It's up to consumers to watch out for their own best interests."

Other recommendations from Missouri insurance department include:

- Check with MDI for free tips and up-to-date information prior to purchasing health, life, auto, home or other insurance coverage. The MDI Web site, [www.insurance.state.mo.us](http://www.insurance.state.mo.us), has dozens of digital brochures and other buyers's information, including rate guides on company premiums and ratings on complaints by consumers.

- Schedule a routine "check-up" with your insurance agents at least once a year.

- Inquire about the cost benefit of opting for higher deductibles. Particularly because homeowners insurers may surcharge or nonrenew policyholders who file claims, regardless of size, consider increasing deductibles and avoiding small claims.

- Ask specifically about discounts for good driving records, good health, good grades, special education and training.

- Shop around for identical products and services. Not every company charges the same rate. Missouri relies on the market competition to keep rates low.

- Remember an insurance policy is a legal document. Read it carefully. ❖

## Missouri drivers find savings with MDI auto guides

*Free brochures show premium pricing information for 5 areas, 18 communities across Missouri; more information available on Internet*

Shopping around for potentially big savings won't cost Missouri drivers a dime when they use the 2003 Missouri Department of Insurance (MDI) Consumer Shopping Guide for Auto Insurance.

The guides — with rates effective Jan. 1, 2003 for high-volume insurers — are now available without charge to Missouri drivers and car owners either in printed or Internet versions.

The guides show how rates for leading insurers vary within a Zip Code for hypothetical drivers with differing driving records, ages, genders, policy coverage, auto makes and places of residence. The brochures are available for six geographic areas of the state — St. Louis City, suburban St. Louis, Kansas City, northern Missouri, southern Missouri and Mid-State area.



The printed guides cover 18 of about 1,000 Zip Codes in the state while the MDI Internet site lists 90 Zip Codes' auto insurance rates. The guides demonstrate the value of shopping around — at least every few years — for auto coverage based on price wherever a consumer lives.

For example among the companies surveyed:

- A 17-year-old single male in Kansas City, with one moving violation, can pay from \$2,267 to \$4,297 for a six-month standard policy.
- A 25-year-old single woman in Columbia, with one speeding ticket and two chargeable accidents, can pay from \$333 to \$912 for six months of liability coverage.
- A 65-year-old married woman in Valley Park, with no moving violations, can pay from \$413 to \$651.

To order an auto guide, consumers can call the toll-free MDI Consumers Hotline at 1-800-726-7390 or write the MDI Division of Consumer Affairs, P.O. Box 690, Jefferson City, MO 65102-0690. Metropolitan residents can contact MDI branch offices at 314-340-6830 in St. Louis or 816-889-2381 in Kansas City. Telephone services (TTD) for the hearing impaired are provided at 573-526-4536. (Charges apply to orders of multiple copies.)

Additional Zip Code data is available at the department's Internet WWW site — (<http://www.insurance.state.mo.us>) The Zip Codes listed include at least one in these communities: Martinsburg, Wheaton, Columbia, St. Joseph, Osage Beach, Montreal, Cape Girardeau, Gladstone, Liberty, Jefferson City, Union Star, Republic, Springfield, West Plains, Kansas City (64123, 64138, 64130, 64108), Independence, Grandview, Blue Springs, Joplin, Carthage, Arnold, Ewing, New Cambria, Hannibal, Catron, Sedalia, St. James, Platte City, Moberly, St. Charles, O'Fallon, Wentzville, Valley Park, Kirkwood, Fenton, Manchester, Oakville, Overland, St. Louis (63104, 63108, 63116, 63133), Branson, Nevada, Potosi and Piedmont.

(See *Auto rate guides*, p. 4)

## Auto rate guides

(continued from page 3)

The charts illustrate the rates of **four hypothetical drivers: a single male, age 17; a single female, 25; a married male, 35; and a married female, 65.** Your own rate may vary based on place of residence, age, gender, marital status and type of car. Most companies have separate rates for men and women until age 25 or 30. After that age, rates generally do not vary much based on gender or marital status.

Rates are shown for three types of drivers based on their histories: preferred (no violations), standard (one speeding violation) and non-standard (one accident and two speeding violations). Coverages range from liability only to full liability, comprehensive and collision policies while the autos used in illustrations are a 2002 Lexus ES 300, 1990 Hyundai Tiburon and a 1995 GMC Safari van.

The companies, which responded to an MDI survey, posted among the leading sales volumes for that geographic area. Also listed are their MDI consumer complaint scores; consumers can contact MDI for financial ratings of the insurers.

Many companies now rely on credit scores - a computer calculation based on personal financial histories - to help decide whether to accept a policyholder and the premium charged.

The MDI web site has extensive information on the general use of credit scores. Effective July 1 in Missouri, consumers no longer can have their scores downgraded because they shop around for insurance. Until then, consumers generally should confine their applications to a two-week period to minimize the impact on their scores. ❖

## MDI opens homeowners shopping mall online

Since mid-2001, homeowners insurers in Missouri have been more selective about which business they will renew and the new policyholders they will accept. Consumers report increasing difficulty in obtaining new coverage, particularly if they have filed more than one claim in the past five years. MDI developed the Homeowners Shopping Center to provide consumers with more assistance as they try to find policies for new homes or replacement coverage.

Head for the mall at  
[www.insurance.state.mo.us](http://www.insurance.state.mo.us)



## Brenda Otto – Employee of the Quarter



Brenda Otto,  
MDI Employee of the Quarter

Since August, Brenda Otto has been juggling two positions with the department--insurance technician and acting licensing supervisor.

"She is an invaluable employee, and we appreciate her hard work and dedication," says Marsha Mills, deputy director.

Otto has been employed by the department since July 1984. She started as a data clerk responsible for grading insurance exams and issuing licenses. Otto has performed almost every job in licensing. In August 1989 Otto was promoted to insurance tech II and since August 2002 she has assumed the duties of acting supervisor, stepping in for Mike Duffeck, who has been on extended medical leave.

As a licensing technician, Otto handles special projects, disciplinary action against insurance producers, companies and business entity producers, forms revisions, appointments/terminations and serves as a backup for various other jobs in licensing.

Effective Jan. 1, under a new state law, the distinction between agents and brokers disappeared, and all became insurance producers.

Otto says, "Everyday is different and that is what I like about the job. There is always a variety of new projects, deadlines and priorities. Since assuming the acting supervisor's position, I have learned a lot about others within the department and their jobs."

Otto lives in St. Anthony with her husband, Alphonse; daughter, Megan, 14 and son, George, 11. She enjoys doing crafts. ❖





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# **Regulatory actions –**

## **December 2002 & January 2003**

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### **Legal action - agents, agencies, brokers, companies**

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*A.G. Edwards Life Insurance Co.*, St. Louis, MO, was acquired by *Heartland Health*, St. Joseph, MO.

*Business Men's Assurance Co. of America*, Kansas City, MO, was acquired by *Liberty Life Insurance Co. Enterprises*, Greenville, SC.

*EOS Claims Services, Inc.*, Rancho Cordova, CA, certificate of authority suspended.

*FirstGuard Health Plan, Inc.*, Kansas City, MO, was acquired by *Swope Community Enterprises of Kansas City, MO*.

*Frank Gates Service Co.*, Columbus, OH, certificate of authority suspended.

*Interstate Insurance Services Group, Inc.*, Lake Wales, FL, certificate of authority suspended.

*Investors Title Co.*, Clayton, MO, voluntarily forfeited their license.

*Investors Title Co.*, Clayton, MO, \$100 forfeiture for allowing business from an unlicensed/unappointed agent.

*Investors Title Co.*, Clayton, MO, \$2,400 forfeiture for failing to file information timely and misrepresentation of insurance product/policy.

*Lawrenceville Property and Casualty Co.*, Lawrenceville, NJ, certificate of authority suspended.

*Mass Group Marketing*, Plano, TX, certificate of authority suspended.

*Mid American Century Life Insurance Co.*, Jefferson City, MO, was acquired by *Citizens, Inc.*, Austin, TX.

*National Auto and Casualty Insurance Co.*, San Francisco, CA, certificate of authority suspended.

*Universal Insurance Services, Inc.*, Grand Rapids, MI, certificate of authority suspended.

*Robert C. Bouck, Inc.*, Quincy, IL, certificate of authority suspended.

*Loretta L. Hawkes*, Berkeley, MO, voluntarily forfeited their license.

*Loretta Hawks*, Berkeley, MO, complaint investigation regarding no license and not appointed.

*John J. O'Day*, Miami, FL, \$300 forfeiture for selling unlicensed insurer, allowed business from agent not appointed/licensed and employed unlicensed individuals.

*Synthia S. Reed*, Liberty, MO, certificate of authority suspended.

*Thomas O. Spore*, Bridgeton, MO, \$5,711.05 forfeiture for misrepresentation of insurance product/policy and unauthorized insurance business.

### **Financial Exams**

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*Barton County Mutual Insurance Co.*, Liberal, MO.

*Missouri Intergovernmental Risk Management Association (MIRMA)*, Columbia, MO.

*Missouri United School Insurance Council*, St. Charles, MO.

*National States Insurance Co.*, St. Louis, MO.

*United Dental Care of Missouri*, Kansas City, MO.

### **Company Changes**

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*ACE Guaranty Re Inc.*, New York, NY, changed its name to *ACE Guaranty Corp.*

*Acceptance Insurance Co.*, Council Bluffs, IA, was removed from the NAIC approved eligible list of surplus lines carriers.

*Affirmative Insurance Co.*, Chicago, IL, was admitted with property, liability and miscellaneous authority.

(See *Regulatory Actions*, p. 6)

## Regulatory Actions

(continued from page 5)

*All American Life Insurance Co., The American Franklin Life Insurance Co. and The Franklin Life Insurance Co.*, Houston, TX, merged into *American General Life Insurance Co.*

*American Deposit Insurance Co.*, Alpharetta, GA, was admitted with property, liability and miscellaneous authority.

*American General Life Insurance Co. of NY* merged with *The United States Life Insurance Co. of New York*.

*American General Life Insurance Co. of PA* merged with *American General Assurance Co.*

*American Resources Insurance Co.*, Mobile, AL, was admitted as a surplus lines company.

*APSpeciality Insurance Corp.*, East Lansing, MI, was admitted as a surplus lines company.

*Caldwell County Mutual Insurance Co.*, Kingston, MO, converted from a part I Missouri Mutual to a part II Missouri Mutual.

*Colfax Farmers Mutual Insurance Co.*, Tarkio, MO, added windstorm and liability authority.

*Commerce Title Insurance Co.*, Santa Ana, CA, was admitted as a title company.

*Discover Specialty Insurance Co.*, Chicago, IL, was approved as a surplus lines company.

*Eagle Pacific Insurance Co.*, Seattle, WA, was admitted with property and liability authority.

*Encompass Indemnity Co.*, St. Petersburg, FL, was admitted with property, liability and miscellaneous authority.

*Educators Mutual Life Insurance Co.*, Lancaster, PA, was admitted with life, annuities, endowments, accident and health authority.

*EOS Claims Services Inc.*, Rancho Cordova, CA, certificate of authority as a TPA (third party administrator) was suspended.

*Farmers Mutual Fire Insurance Co. of Worth County*, Buffalo, MO, merged with Old Missouri Mutual Insurance Co.

*Fortress Insurance Co.*, Rosemont, IL, was admitted with liability authority.

*Hartford Steam Boiler Inspection and Insurance Co. of Connecticut*, Hartford, CT, was admitted with property, liability and miscellaneous authority.

*Independent Mutual Fire Insurance Co. (MO) NAIC Co. 30619*, Baltimore, MD, merged with *Independent Mutual Fire Insurance Co. NAIC Co. 29831*.

*IMT Insurance Co. (Mutual)*, West Des Moines, IA, was admitted with property, liability, fidelity, surety and miscellaneous authority.

*Interstate Insurance Services Group, Inc.*, Lake Wales, FL, was suspended as a TPA.

*Intrepid Insurance Co.*, Farmington Hills, MI, was admitted with property, liability, fidelity, surety and miscellaneous authority.

*Lawrenceville Property and Casualty Co.*, Lawrenceville, NJ, certificate of authority was suspended.

*Lenders Protection Assurance Co. a Risk Retention Group*, Omaha, NE, registered as a risk retention group.

*Life Plans Inc. d/b/a Life Plans LTC Services Inc.*, Waltham, MA, was admitted as a TPA.

*Management Services USA Inc.*, Metairie, LA, was admitted as a TPA.

*Mass Group Marketing*, Plano, TX, certificate of authority as a TPA was lifted.

*Midwest Medical Insurance Co.*, Minneapolis, MN, was admitted with liability authority.

*Mutual Benefit Assessment Corp.*, Decatur, AL, was admitted as a TPA.

*National Automobile and Casualty Insurance Co.*, San Francisco, CA, certificate of authority was revoked.

*Navigators Insurance Co.*, New York, NY, added fidelity and surety authority.

*North American Administrators, Inc.*, Amherst, NY, was licensed as a TPA.

*North American Elite Insurance Co.*, Manchester, NH, was admitted with property, liability, fidelity, surety, accident, health and miscellaneous authority.

*Pacific Life & Annuity Co.*, Newport Beach, CA, added variable contracts authority.

(See *Regulatory Actions*, p. 7)

## Regulatory Actions

(continued from page 6)

*Physicians Insurance Co. of Wisconsin*, Madison, WI, was admitted with property and liability authority.

*Planet Indemnity Co.*, Peoria, IL, added liability authority.

*Producers Agriculture Insurance Co.*, Amarillo, TX, was admitted with liability authority.

*Red Mountain Casualty Insurance Co., Inc.*, Birmingham, AL, was approved as a surplus lines company.

*Robert C. Bouck, Inc.*, Quincy, IL, certificate of authority as a TPA was suspended.

*Senior Life Insurance Co.*, Thomasville, GA, was admitted with life, annuities and endowments authority.

*Steel Tank Insurance Co.*, Burlington, VT, was registered as a risk retention group. *The TriZetto Group, Inc.*, Newport Beach, CA, was admitted as a TPA.

*The St. Paul Property and Casualty Insurance Co.*, St. Paul, MN merged with *St. Paul Fire and Marine Insurance Co.*

*The St. Paul Insurance Co. of IL*, St. Paul, MN, merged into *St. Paul Fire and Marine Co.*

*Triumphe Casualty Insurance*, Greensboro, NC, was admitted with property, liability, fidelity, surety and miscellaneous authority.

*Unimerica Insurance Co.*, Bethesda, MD, was admitted with life, annuities, endowments, accidents and health authority.

*United Financial Casualty Co.*, Mayfield Village, OH, redomesticated from Missouri to Ohio.

*Universal Insurance Services, Inc.*, Grand Rapids, MI, certificate of authority suspended as a TPA.

*WebTPA Employer Services*, Irving, TX, certificate of authority suspended.

*Western Agricultural Insurance Co.*, West Des Moines, IA, added miscellaneous authority.

*Worldwide Casualty Insurance Co.*, Cincinnati, OH, redomesticated from Kentucky to Ohio.

*Worldwide Direct Auto Insurance Co.*, Cincinnati, OH, redomesticated from Kentucky to Ohio.



## Personnel Actions

### New Hires

*Carol Crites*, clerk typist II, financial regulation

*Susan Doerhoff*, account clerk II, support services

*Deborah Doggett*, insurance financial analyst specialist, financial regulation

*Mary Kempker*, manager, consumer services

*Albert Shoemaker*, administrative assistant, consumer affairs

*John Rehagen*, insurance financial analyst specialist, financial regulation

*Jason Ramsey*, legislative assistant, office of the director

### Resignations

*Fran Sites*, insurance licensing technician I, licensing

*Vicki Wilson*, account clerk II, support services

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